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Romania

Poultry and Products

Annual

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Report Highlights:

Romanian poultry production is forecast to decrease slightly in 2001, to 85,000 MT. Due to a reference price system (RPS) instituted by the GOR in August 1998 which severely limited imports total Romanian imports of poultry meat fell 51 percent, to 29,000 MT in 1999. Approximately 48 percent of all Romanian poultry meat imports originate from Hungary--accused by the GOR of subsidizing its exports. Made up primarily of chicken leg quarters, the United States exported 1,900 MT of poultry meat to Romania, in 1999. This sharp decline is the result of the RPS. A WTO case is pending against GOR due to the GOR's use of reference prices on poultry meat imports.

Includes PSD changes: Yes

Includes Trade Matrix: No

Annual Report

Sofia [BU1], RO

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Production

The poultry industry, along with other sectors of Romanian agriculture, reached extremely low levels in recent years, as a result of restructuring policies (which will create a market economy) implemented by the GOR. Large poultry meat operations which used to produce over 90 percent of Romanian commercial poultry production, decreased by one-half to 25 operations, in 2000, compared to 50 operations in 1990. At the same time, the remaining farms were forced to significantly reduce their capacities because of financial difficulties and inefficiency. To date, total poultry production dropped from approximately 400,000 MT in the 1980's to 87,000 MT in 2000. Romania has now switched from being a net poultry meat exporter (before 1990), to a significant net importer.

Although the GOR introduced some protectionist measures to revitalize the domestic industry, results are far from being satisfactory. Components used in the production of mixed feeds make-up 60-65 percent of the overall total production cost of Romanian feed grains.

AgBucharest projects that total poultry meat production will drop from 87,000 MT (2000 estimate) to about 85,000 MT, in 2001, primarily because of difficulties faced by producers, such as high feed grain costs.

Consumption

Per capita consumption of poultry meat products in Romania is one of the lowest in Europe, because of the reduced purchasing power of the population. In 2000, the average income was only \$100 per month, per capita. In comparison, this low standard of living is only 50 percent of what it was in October 1990. AgBucharest's computations show that the 2000 per capita consumption of poultry products is only about 5.3 kilograms for poultry meat and an average of 170 eggs, per annum.

Price Table

Prices of poultry products continue to be relatively high for Romanian consumers due to inflation, escalating prices and a reduction of consumers purchasing power. In general, retail prices of domestically produced poultry products are higher than similar imported products, because of the inefficiency of the poultry sector.

Following is a list of the average range of retail prices of selected products from Bucharest- based retail markets for September 2000:

<u>Item</u>	<u>Price</u>
Broilers	\$ 1.75 - 2.10/kilogram
Breast, bone-in	\$ 2.50 - 2.75/kilogram
Leg quarters	\$ 2.45 - 2.65/kilogram
Livers	\$ 2.75 - 3.00/kilogram
Eggs	\$ 0.75 - 0.95/dozen

Trade

Romanian imports of poultry meat plummeted after the GOR introduced (August 1998) the reference price system (see policy section). Following the introduction of this system, total Romanian poultry imports dropped by nearly 50 percent, from 60,000 MT in 1998, to 29,000 MT in 1999. For the current year, AgBucharest estimates that total poultry meat imports will increase to 35,000 MT, primarily because of transshipments to other countries (primarily via Moldova).

Romanian imports of U.S. poultry products in 1999, totaled 1,900 MT, a sharp decline from a high of 8,700 MT in 1998. The primary reason for this decrease is the existence of the reference price system for poultry imports. U.S. exports of poultry products to Romania predominately consist of (HS 0207.14.20) chicken leg quarters in frozen pallets, which represented over 80 percent of all poultry imports from United States in 1999. The reason U.S. chicken leg quarters are competitive in this market (albeit without the reference price problem) is that U.S. firms can quote FOB U.S. prices between US\$600 - 700/MT (CY 2000), while domestic prices are approximately \$1,000-1,100/MT.

Import Duties

The current Romanian general duty for poultry meat imports is 45 percent, while the duty for egg imports is 40 percent. However, Romanian poultry imports from the Central European Free Trade Association (CEFTA) countries have a preferential duty of 28 percent, except for imports from Hungary for which Romania invoked the "safe guard" clause of the CEFTA Agreement. While the duty for poultry imports from Hungary remain at 45 percent, Hungary maintains a 48 percent market share for all Romanian poultry imports, in 1999. The GOR accused Hungary of subsidizing its poultry exports.

On July 1, 2000, Romania and the European Union negotiated a "double zero" Tariff Rate Quota (TRQ) for poultry products. Thus, until the end of 2000, the EU may export to Romania 1,500 MT of poultry meat and 250 MT of processed poultry all duty free. In turn, Romania gains duty-free access to the EU for 1,500 MT of poultry meat and 375 MT of processed poultry. The above quotas will be doubled in size on January 1, 2001. The EU/Romania TRQ Agreement also provides that the TRQ will be increased each year by 10 percent, and both the EU and Romania will refrain from offering subsidies for poultry exports.

Current duties for Romanian imports of poultry products are as following:

Romania - EU "Double Zero" TRQ Agreement on Poultry Trade				
	HS Code	Product	Quota*(MT)	Non-TRQ Tariff Rate
Romanian Exports to the EU	NSPF ¹	Poultry Meat (Broilers, whole, parts, frozen)	1,500 for 2000 year 3,000 for 2001 year	Duty Free (zero %)
	NSPF ¹	Processed Poultry	375 for 2000 year 750 for 2001 year	Duty Free (zero %)
	0408	Poultry Eggs	No quota	N/A
EU Exports to Romania	NSPF ¹	Poultry Meat (Broilers, whole, parts, frozen)	1,500 for 2000 year 3,000 for 2001 year	Duty Free (zero %)
	NSPF ¹	Processed Poultry	250 for 2000 year 500 for 2001 year	Duty Free (zero %)
	0408	Poultry Eggs	No quota	40% (general duty)

Source: Romanian Ministry of Agriculture and Food

Note: The TRQ became effective on July 1, 2000.

¹The HS Code is not specified, as the products may consist of any poultry meat for both processed for the category "Processed Poultry", or not processed for the category "Poultry Meat".

*This quota, per the Agreement, is to increase by 10 percent annually. In addition, both sides must abstain from export subsidies.

Central European Free Trade Association (CEFTA) "Preferential" Tariff Rates	
<u>COUNTRY</u>	<u>TARIFF RATE</u>
Hungary	45 percent
Czech Republic	28 percent
Bulgaria	28 percent
Poland	28 percent
Slovakia	28 percent
Slovenia	28 percent

Source: 2000 Romanian Customs Handbook

Policy

Although Romania introduced a non-trade barrier (the reference price system for imports), the

domestic poultry industry still faces strong competition from imported products. The inability of the domestic poultry industry to compete fairly with similar imported products is demonstrated by recent requests of domestic producers for additional Government protection. The domestic processing industry has requested the GOR to reduce the existing level of VAT of 19 percent to close to zero, which is expected to stimulate both production and consumption. The shortfall in Romania's 2000 corn crop left domestic supplies tight and prices soaring. Reduction in VAT would likely lower retail prices, thus stimulating domestic consumption. In addition, it would also potentially waive duties on corn imports, until there is a rebound in domestic corn production. At the same time, poultry producers also requested the GOR to establish intervention feed grain stocks, in order to avoid escalating prices.

The reference price system uses artificially calculated prices of \$1,000-1,500 MT for custom valuation purposes. The intention of this system was to combat fraud and custom under invoicing, but real purposes were to protect domestic industry and to raise more revenues into the budget. The United States protested repeatedly the use of the reference price system as it violates the WTO Agreement and is regarded as a major non-tariff barrier to trade.

However, these measures have limited chances of approval, because of the stringent restrictions imposed by IMF and the World Bank to keep Romania's budget deficit at 3.5 percent of total expenditures.

PSD Table, Poultry Meat, Chicken

PSD Table						
Country	Romania					
Commodity	Plty, Meat, Chicken -16 wks				(1000 MT)(MIL HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	67	67	65	65	0	64
Slaughter (Reference)	45	60	40	65	0	63
Beginning Stocks	5	5	0	5	0	5
Production	65	80	60	85	0	84
Whole, Imports	4	5	5	5	0	5
Parts, Imports	6	25	15	30	0	30
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	10	30	20	35	0	35
TOTAL SUPPLY	80	115	80	125	0	124
Whole, Exports	0	0	0	0	0	0
Parts, Exports	1	1	1	1	0	1
Intra EC Exports	0	0	0	0	0	0
Other Exports	1	1	0	0	0	0
TOTAL Exports	1	1	1	1	0	1
Human Consumption	77	107	77	117	0	115
Other Use, Losses	2	2	2	2	0	2
Total Dom. Consumption	79	109	79	119	0	117
TOTAL Use	80	110	80	120	0	118
Ending Stocks	0	5	0	5	0	6
TOTAL DISTRIBUTION	80	115	80	125	0	124
Calendar Yr. Imp. from U.S.	4	2	4	4	0	5

Import Trade Matrix

Import Trade Matrix			
Country	Romania		
Commodity	Plty, Meat, Chicken -16 wks		
Time period	Jan-Dec	Units:	Metric Tons
Imports for:	1998		1999
U.S.	8,600	U.S.	1,900
Others		Others	
Hungary	30,000		14,000
Canada	5,500		1,300
France	3,000		1,000
Slovenia	2,500		1,700
Greece	1,500		700
Turkey	1,000		500
Brazil	1,800		1,000
Netherlands	1,200		1,500
Total for Others	46500		21,700
Others not Listed	4,900		6,400
Grand Total	60,000		30,000

PSD Table, Poultry Meat, Total

PSD Table						
Country	Romania					
Commodity	Poultry, Meat, Total				(1000 MT)(MIL HEAD)	

	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	70	70	68	68	0	65
Slaughter (Reference)	47	62	42	67	0	64
Beginning Stocks	6	6	0	6	0	6
Production	68	82	63	87	0	85
Whole, Imports	4	5	5	5	0	5
Parts, Imports	6	25	15	30	0	30
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	10	30	20	35	0	35
TOTAL SUPPLY	84	118	83	128	0	126
Whole, Exports	0	0	0	0	0	0
Parts, Exports	1	1	1	1	0	1
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	1	1	1	1	0	1
Human Consumption	81	109	80	119	0	116
Other Use, Losses	2	2	2	2	0	2
Total Dom. Consumption	83	111	82	121	0	118
TOTAL Use	84	112	83	122	0	119
Ending Stocks	0	6	0	6	0	7
TOTAL DISTRIBUTION	84	118	83	128	0	126
Calendar Yr. Imp. from U.S.	4	2	4	4	0	5

Import Trade Matrix

Import Trade Matrix			
Country	Romania		
Commodity	Poultry, Meat, Total		
Time period	Jan-Dec	Units:	Metric Tons
Imports for:	1998		1999
U.S.	8,700	U.S.	1,900
Others		Others	
Hungary	30,000		14,500
Canada	5,500		1,300
France	3,000		1,000
Slovenia	2,500		1,700
Greece	1,500		700
Turkey	1,000		500
Brazil	1,800		1,000
Netherlands	1,200		1,500
Total for Others	46,500		22,200
Others not Listed	4,800		5,900
Grand Total	60,000		30,000

PSD Table, Poultry, Eggs

PSD Table						
Country	Romania					
Commodity	Poultry, Eggs				(MIL HEAD)(MIL PCS)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Layers	25	25	25	26	0	26
Beginning Stocks	250	250	250	250	250	250
Production	4500	4500	4500	4600	0	4650
Hatch Eggs, Imports	0	0	0	0	0	0
Shell Eggs, Imports	100	100	80	80	0	70
Other Imports	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
TOTAL Imports	100	100	80	80	0	70
TOTAL SUPPLY	4850	4850	4830	4930	250	4970
Hatch Eggs, Exports	0	0	0	0	0	0
Shell Eggs, Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Hatch Eggs, Consumption	625	625	620	620	0	620
Shell Eggs, Human	3785	3785	3770	3870	0	3900
Shell Eggs, OT Use/Loss	150	150	150	150	0	150
Other Dom. Consumption	40	40	40	40	0	50
Total Dom. Consumption	4600	4600	4580	4680	0	4720
TOTAL Use	4600	4600	4580	4680	0	4720
Ending Stocks	250	250	250	250	0	250
TOTAL DISTRIBUTION	4850	4850	4830	4930	0	4970
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Import Trade Matrix

Import Trade Matrix			
Country	Romania		
Commodity	Poultry, Eggs		
Time period	Jan-Dec	Units:	Million
Imports for:			1
U.S.	0	U.S.	0
Others		Others	
Hungary	100		40
Turkey	60		30
Spain	50		15
Total for Others	210		85
Others not Listed	30		15
Grand Total	240		100